

GOGEBIC RANGE SOLID WASTE
MANAGEMENT AUTHORITY
IRONWOOD, MICHIGAN

AUDITED FINANCIAL STATEMENTS AS OF
June 30, 2004

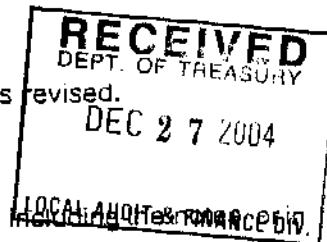
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Management Authority Gogebic Range Solid Waste	County Gogebic
Audit Date 6/30/2004	Opinion Date 12/7/2004	Date Accountant Report Submitted to State: 12/20/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MT	ZIP 49938
Accountant Signature			

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Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Board of Commissioners
Gogebic Range Solid Waste
Management Authority
Ironwood, Michigan


We have audited the accompanying balance sheet of Gogebic Range Solid Waste Management Authority as of June 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that my audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gogebic Range Solid Waste Management Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2004, on our consideration of Gogebic Range Solid Waste Management Authority's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in accordance with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements of Gogebic Range Solid Waste Management Authority. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountant

Ironwood, Michigan
December 7, 2004

BALANCE

GOGEBIC RANGE SOLID

June 30, 2004

	ASSETS	
	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$142,327	\$72,118
Trade accounts receivable, net	46,507	58,760
Prepaid expenses	10,682	8,214
TOTAL CURRENT ASSETS	<u>\$199,516</u>	<u>\$139,092</u>
 PROPERTY, PLANT AND EQUIPMENT		
Land	\$10,286	\$10,286
Land improvements	82,816	74,630
Buildings and structures	954,175	785,635
Machinery and equipment	334,772	336,350
	<u>1,382,049</u>	<u>1,206,901</u>
Less: Allowance for depreciation	(482,740)	(441,714)
TOTAL PROPERTY, PLANT & EQUIPMENT	<u>\$899,309</u>	<u>\$765,187</u>
 OTHER ASSETS		
Restricted cash:		
Debt service	\$19,717	\$19,241
Performance bonds	4,099	4,099
Accrued interest receivable	549	
Deferred bond costs	12,827	4,707
TOTAL OTHER ASSETS	<u>\$37,192</u>	<u>\$28,047</u>
 TOTAL ASSETS	 <u>\$1,136,017</u> =====	 <u>\$932,326</u> =====

SHEET

WASTE MANAGEMENT AUTHORITY

And 2003

LIABILITIES & EQUITY
2004 2003

CURRENT LIABILITIES

Trade accounts payable	\$43,233	\$105,542
Construction payables	24,822	
Accrued wages, benefits, & taxes	9,105	8,564
Accrued interest payable	3,586	1,060
Current maturity on long-term debt	15,000	10,000
TOTAL CURRENT LIABILITIES	\$95,746	\$125,166

LONG-TERM DEBT

Bonds payable	\$330,200	\$90,000
Less: current maturity on long-term debt	(15,000)	(10,000)
TOTAL LONG-TERM DEBT	\$315,200	\$80,000

FUND EQUITY

Contributions in aid of		
Construction- State of Michigan	\$501,000	\$501,000
Less: Amortized into operations	(165,959)	(153,434)
	335,041	347,566
Retained earnings	390,030	379,594
TOTAL FUND EQUITY	725,071	727,160

TOTAL LIABILITIES AND EQUITY

\$1,136,017	\$932,326
=====	=====

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN RETAINED EARNINGS**

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Tipping fees	\$641,994	\$669,240
Other	4,696	2,536
TOTAL OPERATING REVENUES	<u>\$646,690</u>	<u>\$671,776</u>
 OPERATING EXPENSES		
Salaries & related benefits	\$176,562	\$163,535
Operating supplies & expenses	66,107	49,242
Contracted disposal services	352,579	381,974
Provisions for depreciation	47,276	39,440
TOTAL OPERATING EXPENSES	<u>642,524</u>	<u>634,191</u>
 OPERATING INCOME (LOSS)	 \$4,166	 \$37,585
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	\$1,117	\$1,204
Debt retirement contribution	4,610	
Loss on disposal of equipment		(654)
Bond interest expense	(6,600)	(6,935)
Amortization of bond costs	(4,707)	(784)
Bond fees	(675)	(600)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(\$6,255)</u>	<u>(\$7,769)</u>
 NET INCOME (LOSS)	 (\$2,089)	 \$29,816
 Add depreciation on fixed assets acquired through contributions restricted for construction	 12,525	 12,525
 Retained earnings -beginning of year	 <u>379,594</u>	 <u>337,253</u>
 RETAINED EARNINGS, END OF YEAR	 <u>\$390,030</u> =====	 <u>\$379,594</u> =====

The accompanying notes are an integral part to the financial statements.

STATEMENT OF CASH FLOWS

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
INCREASE (DECREASE) IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 4,166	\$37,585
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	47,276	39,440
(Increase) decrease in current assets:		
Accounts receivable	12,253	13,358
Accrued interest income	(549)	
Prepaid expense	(2,468)	(1,998)
Increase (decrease) in current liabilities:		
Accounts payable	(62,309)	24,160
Construction costs payable	24,822	
Salaries & related benefits	541	1,410
Accrued interest	2,526	(115)
	22,092	76,255
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	26,258	113,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid on long-term debt	(6,600)	(6,935)
Bonds issued	330,200	
Bond issuance fees	(8,217)	
Principal paid on long-term debt	(90,000)	(10,000)
Additions to fixed assets	(181,398)	(92,641)
Bond costs - handling fees	(675)	(600)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	69,568	(110,176)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income received	1,117	1,204
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS	70,685	4,868
Cash and cash equivalents, beginning of the year	95,458	90,590
CASH AND CASH EQUIVALENTS, END OF YEAR	\$166,143	\$ 95,458

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

June 30, 2004

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gogebic Range Solid Waste Management Authority (the Authority) provides solid waste transfer services to its members, other municipalities and the general public. The Authority was organized August 6, 1987, and began operating December 11, 1989. The accounting principles that affect the more significant elements of the financial statements are summarized below.

Description of the Reporting Entity

The Authority was incorporated to acquire, own, improve, enlarge, extend and operate a solid waste management system in accordance with Act 233, Public Acts of Michigan, 1955, as amended. The Authority is governed by a Board of Commissioners, which is an independent joint board comprised of members from the constituent municipalities: City of Bessemer, Township of Bessemer, Charter Township of Ironwood, Township of Marenisco, City of Wakefield and Township of Wakefield. The Authority grants credit to its members and to local businesses.

Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governmental proprietary funds. The Authority's operations are financed primarily by user charges, similar to a private business enterprise, where periodic measurement of net income is appropriate for capital maintenance, public policy, and management control. The fund uses the accrual basis of accounting which recognizes revenue when earned, and expenses when incurred.

Cash

For purposes of the statement of cash flows, the Authority includes all cash on hand and bank accounts to be cash equivalents.

Accounts Receivable

All receivables that are not considered fully collectible by management are written off using the direct write-off method and, accordingly, there is no allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

June 30, 2004

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Accrued Interest Receivables

Interests on certificates of deposits are recognized as revenue in the year monies are received.

Property, Plant and Equipment

Items capitalized as part of property, plant and equipment, including interest during the construction period is stated at cost. Depreciation is determined by use of the straight-line method. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than a decrease in retained earnings.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Building/building improvements	40 Years
Office Equipment/equipment	5-15 Years
Land improvements	20-40 Years

Deferred Bond Costs

Deferred bond costs consist of legal fees, bond discount and publishing fees incurred in connection with the issuance of bonds. These costs are being amortized over the period of the bonds being outstanding by charges to operations. The current year amortized amount is \$4,707 that related to the prior bonds being retired during the fiscal year.

Inventory

Purchases of maintenance and office supplies are expended upon point of purchase. No inventorying of supplies is taken at year end as they are considered to be immaterial in cost.

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

June 30, 2004

Budget

The Authority follows these procedures in establishing budgetary data:

- a) Authority administrator prepares and submits to the Authority Board a proposed operating budget prior to Commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with accounting principles generally accepted in the United States of America.
- b) The Authority Board formally adopts the finalized operating budget prior to the commencement of the fiscal year.
- c) No budget changes nor amendments were approved in the fiscal year.

Income Taxes

No provision for income taxes is recorded in the accounts as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebted are recorded as an expenditure as accrued. Construction interest expense was capitalized on improvements financed.

NOTES TO FINANCIAL STATEMENTS
GOGEbic RANGE SOLID WASTE MANAGEMENT AUTHORITY

June 30, 2004

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NOTE B - CASH AND CERTIFICATES OF DEPOSITS

Deposits were made in accordance with State of Michigan statutes. Statutes authorize the Authority to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Authority. Interest is recorded when the interest is received. The Authority cash deposits at year end were fully insured and certificates of deposit are recorded at cost plus interest reinvested which approximates market value.

The Authority's cash and cash equivalents at June 30, 2004 consisted of the following:

Cash and cash equivalents	\$141,236
Petty cash/cash on hand	1,091
Restricted Assets:	
Debt service	19,717
Performance bonds	4,099
TOTAL	<u>\$166,143</u>
	=====

Cash and cash equivalents can also be summarized into the following categories:

Deposits:	
Cash in demand deposits/certificates	\$165,052
Petty cash/cash on hand	1,091
TOTAL	<u>\$166,143</u>
	=====

The Authority had \$165,052 in demand deposits and certificates of deposit at June 30, 2004, which approximates market value.

Michigan law prohibits security in the form of collateral surety bond, or another form for the deposit of public money.

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

June 30, 2004

NOTE C - PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment and related depreciation data at June 30, 2004, follows:

	<u>6/30/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2004</u>
Land	\$ 10,286	\$	\$	\$ 10,286
Land improvement	74,630	8,186		82,816
Buildings and Improvements	785,635	168,540		954,175
Office Equipment/ Equipment	336,350	4,672	6,250	334,772
	<u>\$1,206,901</u>	<u>\$181,398</u>	<u>\$ 6,250</u>	<u>\$1,382,049</u>
	=====	=====	=====	=====
Accumulated Depreciation	\$441,714	\$ 47,276	\$ 6,250	\$ 482,740
	=====	=====	=====	=====

Depreciation is computed using the straight-line method.

NOTE D - ACCOUNT PAYABLE

The account payable balance were for normal expenditures at year end which included disposal fees payable to major vendor in the amount of \$34,854.

NOTE E - CHANGES IN LONG-TERM DEBT

	<u>Balance</u> <u>6/30/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2004</u>
Bonds Payable	<u>\$90,000</u>	<u>\$330,200</u>	<u>\$90,000</u>	<u>\$330,200</u>
	=====	=====	=====	=====

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
June 30, 2004

NOTE F - BONDS PAYABLE

The Authority has issued \$476,000 Solid Waste Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation.

The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory tax limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available

The General Obligation Limited Tax Bonds, Series 2003 are payable in principal installments serially on August 1 of each year and the annual interest rate of 4.5% on February 1 and August 1, of each year, as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Interest</u>		<u>Principal</u>	<u>Total</u>
	<u>August 1,</u>	<u>February 1,</u>		
2005	\$10,710	\$10,710	\$ 15,000	\$ 36,420
2006	10,372.50	10,372.50	16,000	36,745
2007	10,012.50	10,012.50	17,000	37,025
2008	9,630	9,630	17,000	36,260
2009	9,247.50	9,247.50	18,000	36,495
2010	8,842.50	8,842.50	19,000	36,685
2011	8,415	8,415	20,000	36,830
2012	7,965	7,965	21,000	36,930
2013	7,492.50	7,492.50	22,000	36,985
2014	6,997.50	6,997.50	22,000	35,995
2015	6,502.50	6,502.50	23,000	36,005
2016	5,985	5,985	25,000	36,970
2017	5,422.50	5,422.50	26,000	36,845
2018	4,837.50	4,837.50	27,000	36,675
2019	4,230	4,230	28,000	36,460
2020	3,600	3,600	29,000	36,200
2021	2,947.50	2,947.50	31,000	36,895
2022	2,250	2,250	32,000	36,500
2023	1,530	1,530	33,000	36,060
2024	787.50	787.50	35,000	36,575
	<u>\$127,777.50</u>	<u>\$127,777.50</u>	<u>\$476,000</u>	<u>\$731,555</u>

As of June 30, 2004, \$330,200 of bond proceeds were drawdown by the Authority.

**NOTES TO FINANCIAL STATEMENTS
GOGEbic RANGE SOLID WASTE MANAGEMENT AUTHORITY**

June 30, 2004

NOTE G - CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction consisted of the following at June 30, 2004:

State of Michigan-Department of Natural Resources	\$501,000
Less amount amortized into operations	165,959
	<u>\$335,041</u>

NOTE H - MAJOR CUSTOMERS

Fees charged a local solid waste disposal contractor amounted to approximately 21% of the total disposal fees for the year ended June 30, 2004.

NOTE I - PENSION PLAN

On August 15, 1990, the Authority adopted a simplified Employee Pension Plan (SEP) covering employees who have performed services for the Authority in at least two of the immediately proceeding five years. The Plan, administered by First National Bank of Wakefield, provides for discretionary annual contributions limited by the maximum amount permitted under the Internal Revenue Code.

The Authority's defined annual contribution (3% of gross salaries for operators and 6% for administrator) to the employee's SEP bank account amounted to \$3,488 for the calendar year ended December 31, 2003. Employees do not make contributions to the Plan. All participants are fully vested immediately. Contributions to the Plan become the sole property of the participants.

NOTE J - ACCRUED LEAVE BENEFITS

According to personal service contracts and union agreements, full time employees shall accumulate one sick leave day per month not to exceed twelve days per year with a maximum accumulation of one hundred days. Upon severance of employment with the Authority or upon death of an employee, accumulated sick leave will be paid as follows (not to exceed \$5,000):

<u>Years of Service</u>	<u>Percentage of Sick Leave Payable</u>
5-15 years	33-1/3%
15-20 years	50%
20-25 years	75%
Over 25 years	100%

NOTES TO FINANCIAL STATEMENTS
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY
June 30, 2004

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In the event of the death of an employee, his beneficiary will be paid the prevailing rate according to the above schedule (not to exceed \$5,000).

Three employees have earned accrued sick leave benefits of \$4,511 which are recognized as accrued leave benefits in the financial statements.

NOTE K - COMMITMENT/MAJOR VENDOR

The Authority entered into a five year agreement with Superior Waste Services, a Michigan Corporation, which provides for the Authority to receive and transferred waste to the Ontonagon landfill. The rates are subject to annual increases based upon inflationary factors/indexes. The Authority is in the second year of the contract. The Authority had incurred \$352,579 in disposal costs for the year ended June 30, 2004.

NOTE L - ANNUAL/PERSONAL LEAVE

Employees earned vacation and personal leave time based upon number of years of service and may carry forward from one fiscal year to another, within certain restrictions. As of June 30, 2004, employees had earned \$1,144 in accrued annual/personal leave and are being recognized in the financial statements as a liability.

NOTE M - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; thefts or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Authority as of June 30, 2004, will not materially affect the financial condition of the Authority. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risk have exceeded commercial insurance coverage by \$3,500 during the past five years.

OTHER
FINANCIAL
INFORMATION

DETAIL OF OPERATING EXPENSES

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

For the year ended June 30, 2004

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Salaries and related benefits:		
Salaries		\$114,537
Employer share-Social Security		8,551
Hospitalization/life insurance		41,741
Pension contribution		3,488
Unemployment taxes		4,202
Workers' compensation insurance		4,043
		<u>\$176,562</u>
Operating supplies and expenses:		
Professional services	\$ 2,651	
Office supplies	3,543	
Telephone	1,437	
Disposal service-tire	1,150	
Travel and training	1,296	
Printing and subscriptions	1,629	
Insurance	6,934	
Septic/Industrial Waste	1,652	
Utilities	13,490	
Repairs and maintenance	20,748	
Refrigerators disposal	2,058	
Scrap metal disposal	980	
Membership fees	230	
Licensing and permits	700	
Compost costs	5,597	
Miscellaneous	<u>2,012</u>	66,107
Contracted disposal services		352,579
Provision for depreciation		<u>47,276</u>
		<u>\$642,524</u>
		=====

The accompanying notes are an integral part of the financial statements.

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chairman and Members of the Board of Commissioners
Gogebic Range Solid Waste Management Authority
Ironwood, Michigan

We have audited the financial statements of Gogebic Range Solid Waste Management Authority as of June 30, 2004, and have issued our report thereon dated December 7, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gogebic Range Solid Waste Management Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Gogebic Range Solid Waste Management Authority for the year ended June 30, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclosed all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted that a lack of segregation of duties is presented, involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Management has been advised on prior audits and accepted the present staffing pattern as being cost effective to their size of operations.

During our audit, we became aware of other matters and provided recommendations in strengthening internal controls that we have reported to management of the Gogebic Range Solid Waste Management Authority in a separate letter dated December 7, 2004.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Members of the Board, is a matter of public record.

Ironwood, Michigan
December 7, 2004


Certified Public Accountant

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

Board of Directors
Gogebic Range Solid
Waste Management Authority
Ironwood, MI

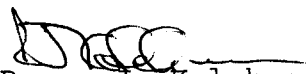
In planning and performing our audit of the financial statements of Gogebic Range Solid Waste Management Authority for the year ended June 30, 2004, we considered the internal control structure and procedures in existence. We noted opportunities for the Board to strengthen the system of internal controls and operating efficiency in the following areas:

OTHER COMMENTS AND RECOMMENDATIONS
TO STRENGTHEN
INTERNAL CONTROLS

1. PERFORM AN ANNUAL INVENTORY OF ALL ASSET HOLDINGS AND RECONCILE TO INSURANCE COVERAGE.
2. NEED TO HAVE CUSTOMERS LEAVE SOMETHING OF VALUE SUCH AS A DRIVERS LICENSE WHEN THEY ARE UNABLE TO PAY FOR THEIR DISPOSAL FEE. THIS WILL ENCOURAGE THEM TO RETURN AND PAY THEIR FEE IN A TIMELY MANNER.

This communications is intended solely for the use of the Board of Directors, management, and others within the organization and is not intended to be used by anyone other than these specific parties.

We "thank you" of being able to provide assistance and would be available to discuss these items in further detail at your convenience.


Roger J. Kolehmainen PC CPA

Ironwood, MI
December 7, 2004